

Still on Top

Texas Homeownership Affordability Growing but Slowing

Ali Anari
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Homeownership affordability is about owners' costs and incomes and changes over time in incomes, mortgage interest rates, property taxes, insurance, and maintenance costs. Growing personal incomes and lower mortgage rates have improved Texas homeownership affordability in the aftermath of the recovery from the Great Recession (GR), but the upward trend has slowed in recent years.

The Real Estate Center looked at Texas affordability trends using time series of the shares of housing units with homeownership costs that were:

- 24.9 percent or less of household income (affordable),
- between 25 to 49.9 percent (less affordable), and
- 50 percent or more (least affordable).

According to the U.S. Census Bureau, many government agencies define "excessive" homeownership costs as those that exceed 30 percent of household income.

The Takeaway

Texas' housing market has been more affordable than the nation's as a whole for years, but the gap between the two has narrowed recently as the state's affordability growth has begun to slow.

Texas, U.S. Homeownership Affordability Trends Compared

Among Texas homeowners with a mortgage, 62.8 percent were in the "affordable" bracket, more than the nation's 60.6 percent (Table 1). These were up from 55.8 percent in 2010 for Texas and 49.9 percent for the U.S. (Figure 1). Although the percentage of Texas homeowners in this group has stayed higher than the nation's, the gap narrowed from 5.9 percentage points in 2010 to 2.2 percentage points in 2018 as Texas affordability growth slowed after 2016.

Table 1. Percentage of Texas, U.S. Homeowners by Affordability Bracket, 2018

	With Mortgage		
	Affordable	Less Affordable	Least Affordable
	24.9% or less	25 to 49.9%	50% or more
Texas	62.8	27.2	10.0
U.S.	60.6	28.1	11.2
Without Mortgage			
Texas	83.0	11.7	5.3
U.S.	81.6	12.3	6.1

Sources: U.S. Census Bureau and the Real Estate Center at Texas A&M University

Affordability improvements for both the state and the nation were due to growing personal incomes in the aftermath of the recovery from the GR and the lowering of mortgage rates by the Federal Reserve System to help U.S. housing markets (Figure 2). Median family income of Texas homeowners with mortgages rose from \$76,040 in 2010 to \$93,660 in 2018 compared with \$76,110 to \$90,360 nationally (Figure 3). As the 30-year mortgage rate trended upward from 3.65 percent in 2016 to 4.54 percent in 2018, affordability growth for both the state and the nation slowed (Figure 1).

Of Texas homeowners with a mortgage, 27.2 percent were in the “less affordable” category in 2018, less than the nation’s 28.1 percent (Table 1). In 2010 those numbers were 32.4 percent for Texas and 35.5 percent for the U.S. (Figure 4). The share of homeowners in this group has stayed lower in Texas than in the nation as a whole, but the gap narrowed from 3.1 percentage points in 2010 to 0.9 percentage points in 2018.

Ten percent of Texas homeowners with mortgages fell under “least affordable” in 2018, less than the nation’s 11.2 percent (Table 1). These were down from 11.8 percent

in 2010 for Texas and 14.5 percent for the U.S. (Figure 5). The size of this group has stayed lower in Texas than nationally, but the gap narrowed from 2.7 to 1.2 percent between 2010 and 2018.

In 2018, 83 percent of Texas homeowners without a mortgage were in the “affordable” bracket, higher than 81.6 percent for the U.S. (Table 1). These percentages trended upward from 80.5 percent in 2010 for Texas and 79.3 percent for the U.S. (Figure 6). The percentage in this group remains higher in Texas than in the nation as a whole, but both upward trends have slowed since 2017. Growing personal incomes in the aftermath of the recovery from the GR have helped improve affordability for both the state and the nation. Median family income of Texas homeowners without mortgages rose from \$43,440 in 2010 to \$54,850 in 2018. Nationally, they rose from \$42,450 to \$52,910 during the same period (Figure 7).

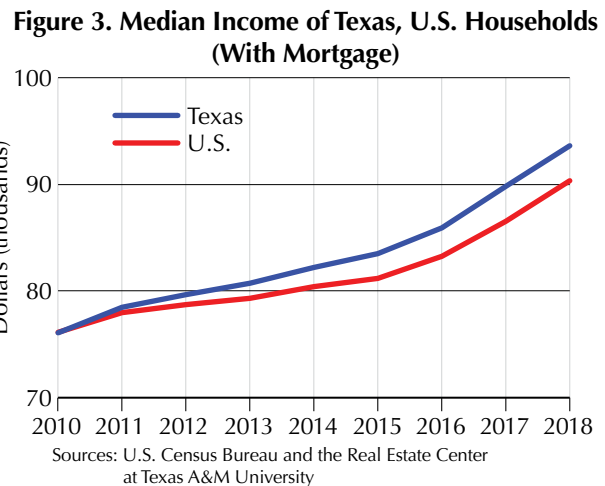
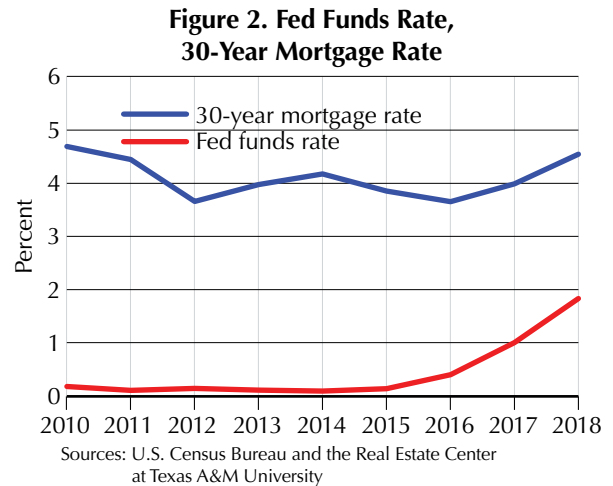
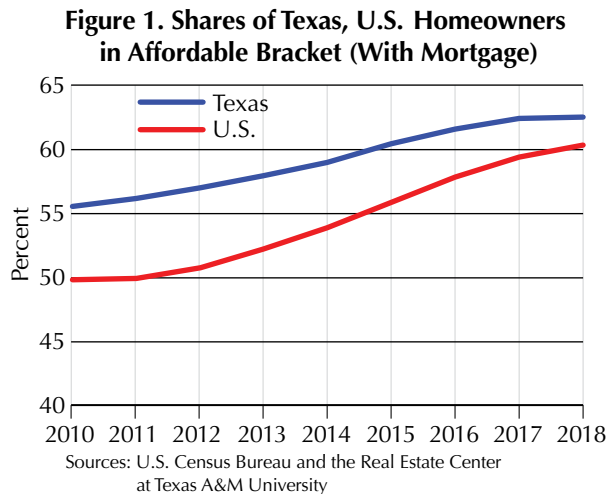
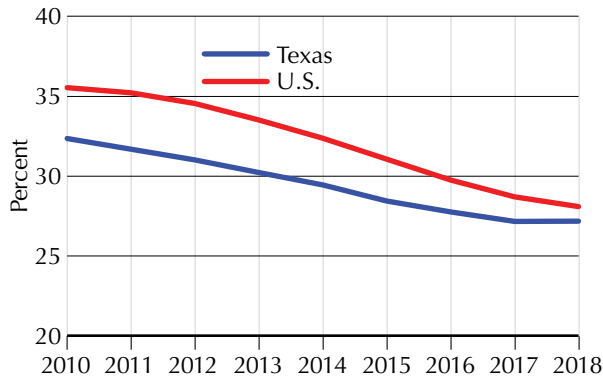
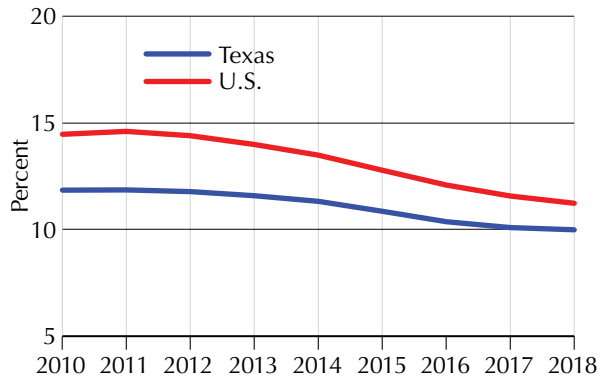


Figure 4. Shares of Texas, U.S. Homeowners in Less Affordable Bracket (With Mortgage)



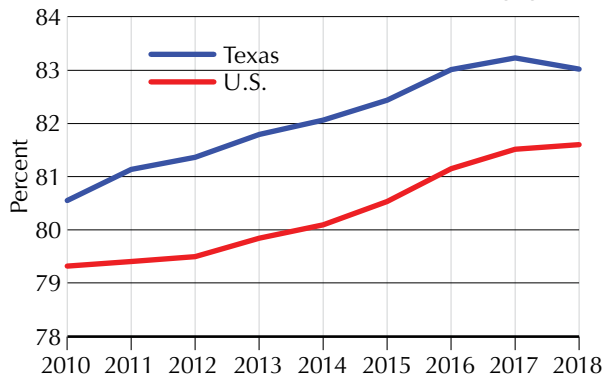
Sources: U.S. Census Bureau and the Real Estate Center at Texas A&M University

Figure 5. Shares of Texas, U.S. Homeowners in Least Affordable Bracket (With Mortgage)



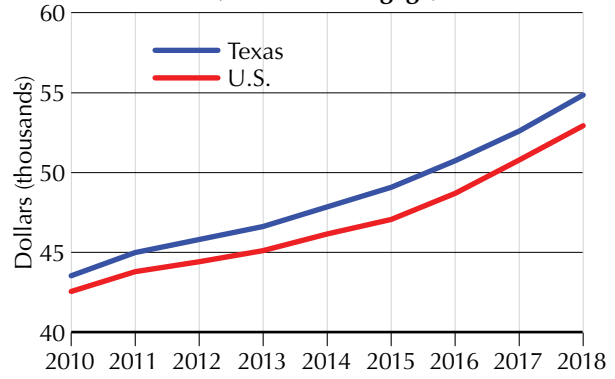
Sources: U.S. Census Bureau and the Real Estate Center at Texas A&M University

Figure 6. Shares of Texas, U.S. Homeowners in Affordable Bracket (Without Mortgage)



Sources: U.S. Census Bureau and the Real Estate Center at Texas A&M University

Figure 7. Median Income of Texas, U.S. Households (Without Mortgage)



Sources: U.S. Census Bureau and the Real Estate Center at Texas A&M University

Homeownership Affordability Explained

Homeownership affordability is the ability to pay costs associated with owning a home (mortgage interests, taxes, insurance, and maintenance) while leaving sufficient income for other household expenses. Because purchasing a home often requires borrowing and repaying loans, lenders are exposed to default risk; that is, the chance that borrowers will not make payments.

Homeowners' costs as a percentage of income is an important metric for lenders because the higher

the percentage of income accounted for by homeowners' expenses, the greater the default risk. Lenders typically want no more than a certain percentage of household income to be allocated to housing expenses.

This percentage became even more important in the aftermath of the Great Recession (GR), because the prelude to the GR was a homeownership affordability crisis where many homeowners in regional housing markets were unable to pay homeownership costs. This led

to mortgage defaults, foreclosures, and falling prices of homes and mortgage-backed securities.

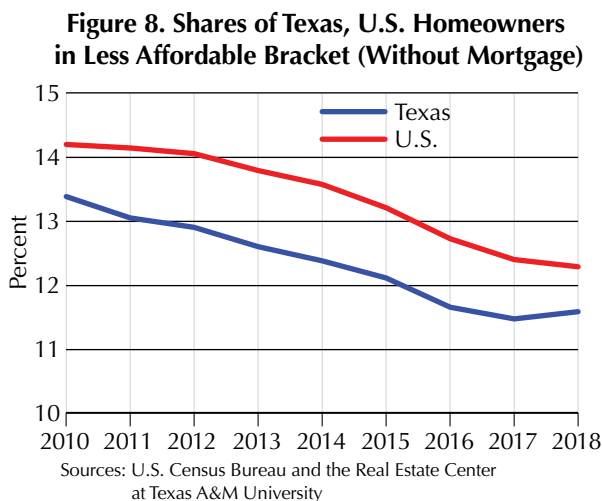
Since the GR, homeownership affordability has become a widespread public concern and a major issue for existing and would-be homeowners as well as mortgage lenders. Because housing crises have been mostly regional, several measures have been developed to monitor homeownership affordability at the national, state, and metropolitan levels.

Among Texas homeowners without mortgages, 11.7 percent were in the “less affordable” bracket in 2018, less than the nation’s 12.3 percent (Table 1). In 2010, those numbers were 13.4 percent for Texas and 14.2 percent for the U.S. (Figure 8). The size of this group has stayed smaller in Texas than in the U.S. but has changed little since 2017.

Of Texas homeowners without mortgages, 5.3 percent were in the “least affordable” bracket in 2018, less than the nation’s 6.1 percent (Table 1). These were down from 6 percent in 2010 for Texas and 6.5 percent for the U.S. (Figure 9). The size of this group in Texas has stayed smaller than in the U.S., but it has trended slightly upward since 2017.

Affordability in Texas MSAs

In Austin, Dallas-Fort Worth, Houston, and San Antonio, shares of homeowners with mortgages in the “affordable” bracket have trended upward from 2012, but the growth rates have slowed since 2017 (Figure 10). Shares of homeowners in the “less affordable” bracket have trended downward, but that trend slowed after 2016



(Figure 11). Shares in the “least affordable” bracket have trended downward since 2012, but that slowed after 2016 in Austin, Dallas-Fort Worth, and Houston, while in San Antonio it turned upward (Figure 12). For a breakdown of all Texas MSA homeowners with a mortgage by affordability bracket, see Table 2.

Table 2. Percentage of Texas MSA Homeowners by Affordability Bracket (With Mortgage), 2018

Metro	Affordable	Metro	Less Affordable	Metro	Least Affordable
	24.9% or less		25 to 49.9%		50% or more
Midland	69.8	Laredo	33.5	McAllen-Edinburg-Mission	15.2
Odessa	67.2	El Paso	31.4	Laredo	14.9
Beaumont-Port Arthur	66.8	Brownsville-Harlingen	30.6	Brownsville-Harlingen	13.1
Amarillo	66.8	McAllen-Edinburg-Mission	29.6	El Paso	12.2
Longview	66.5	Austin-Round Rock	28.4	Waco	11.0
Victoria	66.1	Dallas-Fort Worth-Arlington	27.8	College Station-Bryan	10.8
Abilene	66.0	Waco	27.5	Corpus Christi	10.5
Sherman-Denison	65.7	San Antonio-New Braunfels	27.4	Tyler	10.3
Tyler	65.5	Texarkana	27.3	Houston-The Woodlands-Sugar Land	10.2
Lubbock	65.5	College Station-Bryan	27.0	Beaumont-Port Arthur	10.2
San Angelo	64.8	Corpus Christi	26.6	Odessa	10.0
Texarkana	64.7	San Angelo	26.5	Wichita Falls	9.9
Wichita Falls	64.6	Killeen-Temple	26.5	San Antonio-New Braunfels	9.8
Killeen-Temple	64.2	Sherman-Denison	26.4	Lubbock	9.5
Houston-The Woodlands-Sugar Land	63.4	Houston-The Woodlands-Sugar Land	26.4	Austin-Round Rock	9.5
Dallas-Fort Worth-Arlington	62.9	Abilene	26.4	Killeen-Temple	9.3
Corpus Christi	62.9	Victoria	26.0	Dallas-Fort Worth-Arlington	9.3
San Antonio-New Braunfels	62.8	Wichita Falls	25.5	Longview	8.7
College Station-Bryan	62.2	Amarillo	25.1	San Angelo	8.6
Austin-Round Rock	62.1	Lubbock	25.0	Amarillo	8.1
Waco	61.5	Longview	24.8	Texarkana	8.0
El Paso	56.4	Tyler	24.2	Sherman-Denison	8.0
Brownsville-Harlingen	56.3	Beaumont-Port Arthur	23.0	Victoria	7.9
McAllen-Edinburg-Mission	55.3	Odessa	22.8	Midland	7.8
Laredo	51.5	Midland	22.4	Abilene	7.6

Sources: U.S. Census Bureau and the Real Estate Center at Texas A&M University

Figure 9. Shares of Texas, U.S. Homeowners in Least Affordable Bracket (Without Mortgage)

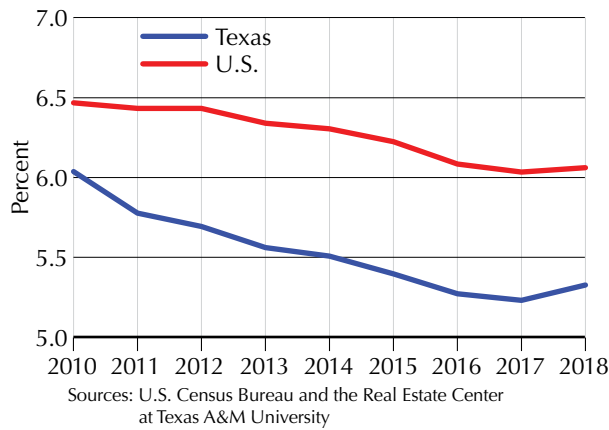


Figure 10. Shares of Major Texas MSA Homeowners in Affordable Bracket (With Mortgage)

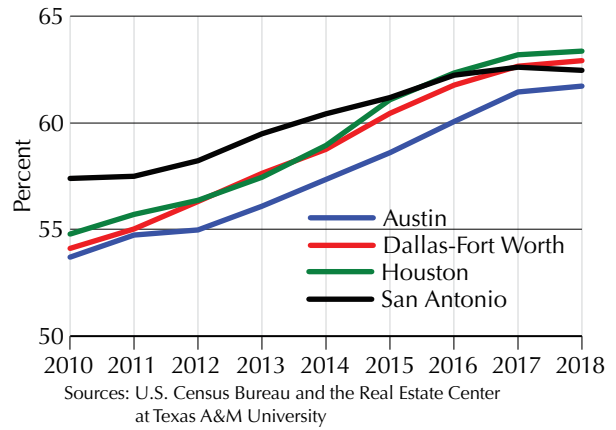


Figure 11. Shares of Major Texas MSA Homeowners in Less Affordable Bracket (With Mortgage)

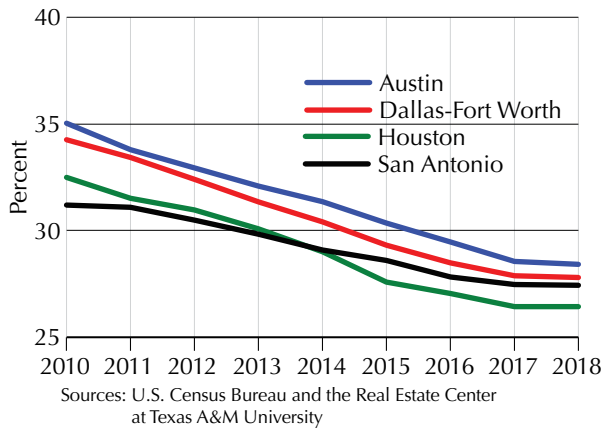


Figure 12. Shares of Major Texas MSA Homeowners in Least Affordable Bracket (With Mortgage)

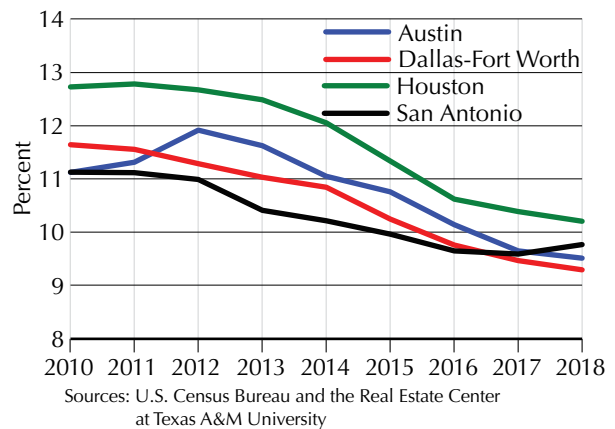


Figure 13. Shares of Major Texas MSA Homeowners in Affordable Bracket (Without Mortgage)

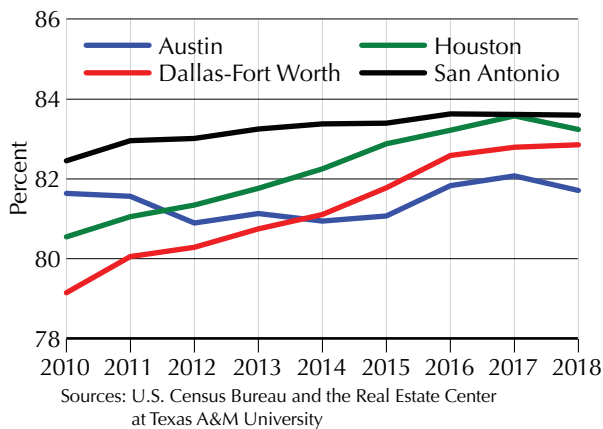
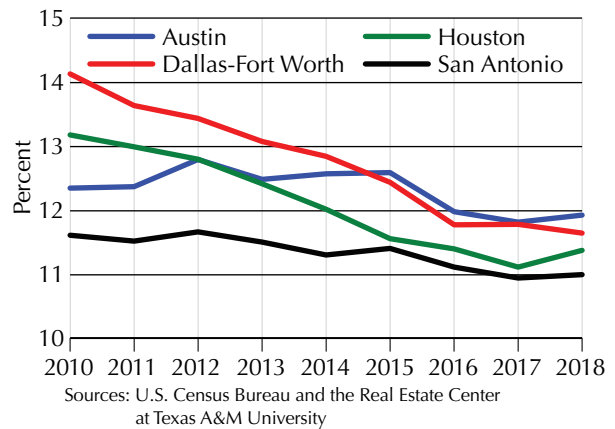


Figure 14. Shares of Major Texas MSA Homeowners in Less Affordable Bracket (Without Mortgage)

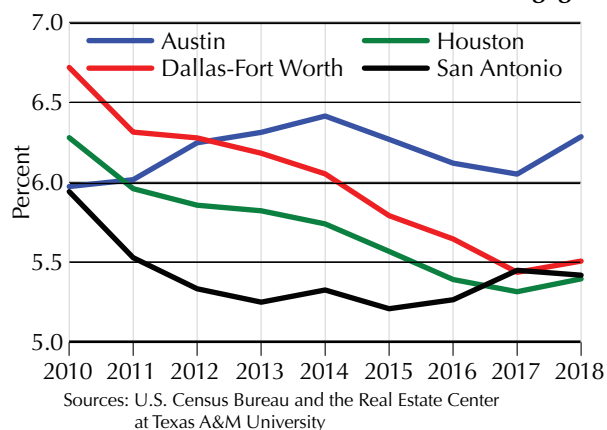


About the Study

Homeowner cost is the sum of mortgage payments, real estate taxes, insurance, utilities, fuels, mobile home costs, and condominium fees. The U.S. Census Bureau and other government agencies use owner costs as a percentage of household income to measure housing affordability and excessive shelter costs. This study used the U.S. Census Bureau’s five-year moving averages from 2010 to 2018 for U.S., Texas, and Texas metropolitan areas.

The share of homeowners without mortgages in the “affordable” bracket was highest in San Antonio in 2018

Figure 15. Shares of Major Texas MSA Homeowners in Least Affordable Bracket (Without Mortgage)



followed by Houston, Dallas-Fort Worth, and Austin (Figure 13). Since 2017, shares have decreased in Austin and Houston. The share of homeowners in the “less affordable” bracket was highest in Austin in 2018 followed by Dallas-Fort Worth, Houston, and San Antonio (Figure 14). Since 2017, shares have trended upward in Austin and Houston. In the “least affordable” bracket, the share was highest in Austin in 2018 followed by Dallas-Fort Worth, San Antonio, and Houston (Figure 15). Since 2017, shares have trended upward in Austin, Dallas-Fort Worth, and Houston. For a breakdown of Texas MSA homeowners without a mortgage by affordability bracket, see Table 3. 📌

Dr. Anari (m-anari@tamu.edu) is a research economist with the Real Estate Center at Texas A&M University.

Table 3. Percentage of Texas MSA Homeowners by Affordability Bracket (Without Mortgage), 2018

Metro	Affordable 24.9% or less	Metro	Less Affordable 25 to 49.9%	Metro	Least Affordable 50% or more
Midland	87.4	Laredo	15.7	Laredo	7.9
Victoria	86.9	McAllen-Edinburg-Mission	14.4	Tyler	6.4
Odessa	86.8	Corpus Christi	13.9	Brownsville-Harlingen	6.4
Longview	85.9	Brownsville-Harlingen	13.1	Austin-Round Rock	6.4
Amarillo	85.9	Lubbock	13.0	Wichita Falls	5.8
Killeen-Temple	85.2	Sherman-Denison	12.9	McAllen-Edinburg-Mission	5.7
San Angelo	84.6	Texarkana	12.7	Waco	5.6
Beaumont-Port Arthur	84.6	Wichita Falls	12.1	Dallas-Fort Worth-Arlington	5.5
College Station-Bryan	84.3	Abilene	12.1	College Station-Bryan	5.5
San Antonio-New Braunfels	83.6	Waco	12.0	San Antonio-New Braunfels	5.4
Houston-The Woodlands-Sugar Land	83.2	Tyler	12.0	Houston-The Woodlands-Sugar Land	5.4
Dallas-Fort Worth-Arlington	82.9	El Paso	12.0	El Paso	5.3
El Paso	82.7	Austin-Round Rock	11.9	Abilene	5.3
Lubbock	82.6	Dallas-Fort Worth-Arlington	11.6	Corpus Christi	5.2
Abilene	82.6	Houston-The Woodlands-Sugar Land	11.4	San Angelo	5.1
Waco	82.4	San Antonio-New Braunfels	11.0	Texarkana	5.0
Texarkana	82.3	Beaumont-Port Arthur	11.0	Sherman-Denison	4.9
Sherman-Denison	82.3	Killeen-Temple	10.7	Longview	4.7
Wichita Falls	82.1	San Angelo	10.2	Odessa	4.5
Austin-Round Rock	81.7	College Station-Bryan	10.2	Lubbock	4.4
Tyler	81.6	Amarillo	10.2	Beaumont-Port Arthur	4.4
Corpus Christi	80.9	Longview	9.4	Killeen-Temple	4.1
Brownsville-Harlingen	80.6	Victoria	9.2	Victoria	3.9
McAllen-Edinburg-Mission	79.9	Odessa	8.7	Midland	3.9
Laredo	76.5	Midland	8.7	Amarillo	3.9

Sources: U.S. Census Bureau and the Real Estate Center at Texas A&M University

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